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Chief Executive Officer

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September 19, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

### WASHINGTON, D.C. UPDATE ON THE FEDERAL BUDGET

#### **Executive Summary**

This memorandum is to provide the Board with an update on the Federal Budget. Congress has not yet enacted any Federal Fiscal Year (FFY) 2014 appropriations bill. Therefore, a Continuing Resolution to temporarily fund Federal programs and operations must be enacted before FFY 2014 begins on October 1, 2014 to avoid a Federal government shutdown. Within the next month, Congress also must enact an increase in the Federal debt limit or sharply reduce Federal expenditures because the Federal debt limit is expected to be reached as early as mid-October.

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#### **FFY 2014 Continuing Resolution**

On September 20, 2013, the House is expected to pass along party lines H.J.Res. 59, a Continuing Resolution (CR) which would temporarily fund Federal programs and operations through December 15, 2013. This measure also would:

- Temporarily extend the Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), which otherwise will expire on September 30, 2013;

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- Eliminate funding for and the entitlement to benefits, such as expanded Medicaid coverage, under the Affordable Care Act (ACA); and
- Require that Federal debt service and Social Security benefits be paid in the event that the Federal debt limit is reached.

Congressional Democrats and the President strongly oppose its ACA and debt limit provisions, and, instead, support the enactment of a “clean” CR and debt limit increase. Senate Democrats have indicated that they, instead, will pursue Senate passage of a CR which drops the House ACA and debt limit provisions, but Senate floor action on the CR could be prolonged if Senate Republicans use delaying tactics, which require a 60-vote majority to overcome. The President has indicated that he would veto H.J.Res. 59 if it were presented to him for his action. The measure’s debt limit provisions are similar to those included in H.R. 807 (McClintock, R-CA), which would protect against a default on Federal debt service and continue Social Security payments, but force immediate deep cuts in other Federal expenditures after the Federal debt limit is reached.

It is widely expected that, by the end of December, Congress will temporarily extend TANF through the end of FFY 2014 or calendar year 2014 because neither the House nor Senate has any plans to act on a multi-year TANF reauthorization bill. Moreover, TANF has been reauthorized only once (in 2005) since it was established under the 1996 welfare reform law.

The enactment of a multi-year SNAP reauthorization bill also faces an uphill battle because House Republicans support deep SNAP spending cuts and other changes that are unacceptable to the Senate and President. On September 19, 2013, on a 217 to 210 party-line vote, the House passed H.R. 3102, a SNAP reauthorization bill, which would cut SNAP spending by \$39 billion over 10 years - far more than the \$4 billion reduction in the bipartisan farm bill (S. 954), which the Senate passed, 66 to 27, in June 2013. H.R. 3102 would reduce SNAP eligibility by eliminating “categorical eligibility” that allows persons who receive TANF-funded non-cash benefits to automatically qualify for SNAP and eliminating the ability of states to waive SNAP work requirements and time limits for able-bodied childless adults when unemployment is high. The Congressional Budget Office estimates that 3.8 million persons will lose SNAP benefits in 2014 as a result of these provisions. The bill also would establish a new pilot program under which states could impose new work requirements on SNAP recipients, and receive half of any Federal cost savings resulting from the pilot program. This pilot program, in effect, provides states with a financial incentive to impose work requirements which would reduce the number of SNAP recipients.

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### **Federal Debt Limit Increase Legislation**

The House Republican leadership indicates that next week it will introduce a bill which would extend the Federal debt ceiling for one year and also delay the implementation of the ACA for one year. The bill also is expected to include instructions for tax reform, mandatory (entitlement) spending cuts, and Keystone pipeline language. It is unclear how the need to increase the Federal debt limit will be resolved given the major partisan differences.

We will continue to keep you advised.

WTF:RA  
MR:MT:ma

c: All Department Heads  
Legislative Strategist